

Tale of Two Counties

- » The largest lease of the quarter was executed by RegenxBio for 100,000 square feet at 9800 Medical Center Drive in North Rockville. It was the only lease at the 100,000 square foot threshold.
- » Tenants continued to be attracted to 7272 Wisconsin Avenue in Bethesda as two more leases were signed. Enviva, an alternative energy provider, signed for just under 80,000 square feet, and Fox 5 signed for just under 60,000 square feet at the trophy office building.
- » The 125,905 square feet of negative absorption was offset by 90,000 square feet of demolitions. This kept the vacancy rate at 14.8 percent for the third straight quarter.

Market Overview

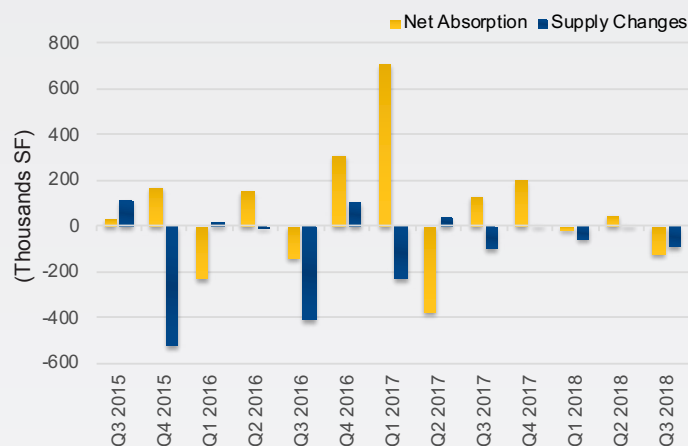
In Suburban Maryland, demand for space in Montgomery County outperformed demand for space in Prince George's County with net absorption measuring 54,385 and negative 180,189 square feet, respectively. Deal velocity, also, highlighted the difference in demand between the two counties with eight of the top ten leases signed in Montgomery County during the quarter. Vacancy across the entire market remained static, falling in Montgomery County and increasing in Prince George's County. However, with the majority of new development occurring in Bethesda, it is expected that supply will outpace new demand leading to higher vacancy in Montgomery County.

While some submarkets in Suburban Maryland are thriving with high levels of deal velocity and new construction, other markets struggled to attract new tenants. Trophy Bethesda projects offer a rental discount from similar quality product in the District. In addition, tenant confidence has grown, allowing these new high-end Bethesda projects to quickly lease up. In areas without Metro access in Montgomery County and throughout all of Prince George's County, leasing has been stagnant. Tenants are demanding well ammentized, quality buildings, and there are simply few to choose from in these submarkets. Demand is expected to grow in areas like Bethesda, while it is expected to remain sparse in areas that do not have a more urban feel.

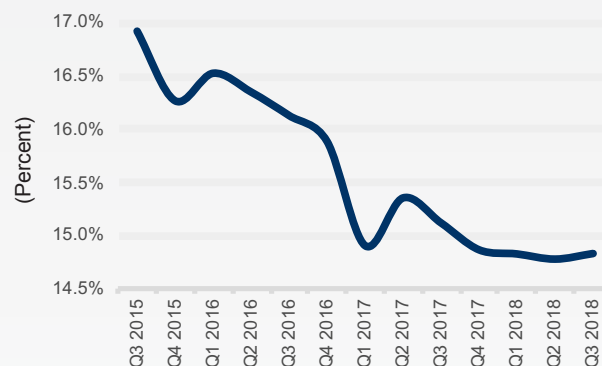
Market Indicators



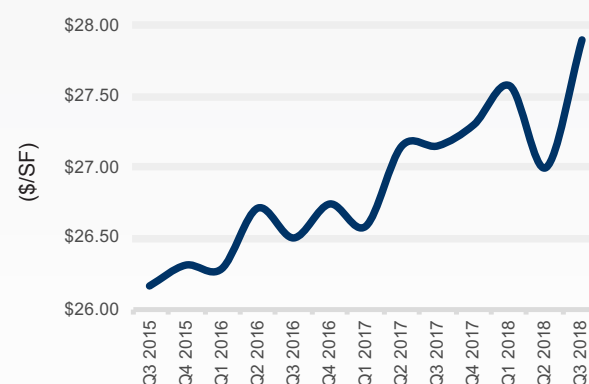
Demand/Supply



Vacancy Rate



Direct Asking Rate



Suburban Maryland—Office Market—All Classes | Q3 2018

MARKET	EXISTING INVENTORY	NEW SUPPLY	YTD NEW SUPPLY	UNDER CONSTRUCTION	ABSORPTION	YTD ABSORPTION	OVERALL VACANCY RATE	DIRECT ASKING RATE
MONTGOMERY COUNTY								
Bethesda	11,345,437	-	-	641,609	-64,667	-139,467	11.9%	\$40.01
Gaithersburg	6,626,629	-	-	-	24,062	-3,519	9.8%	\$22.58
Germantown	3,133,475	-	-	-	15,641	-30,560	16.1%	\$25.14
I-270 North	94,390	-	-	-	1,100	-19,950	24.6%	n/a
Kensington	1,622,017	-	-	-	18,584	48,823	24.2%	\$25.02
North Bethesda	11,090,400	-	-	-	11,748	116,854	17.6%	\$30.28
North Rockville	13,230,573	-	-	-	107,650	189,864	16.5%	\$27.73
North Silver Spring	3,262,156	-	-	-	19,477	42,907	7.2%	\$24.66
Outlying Montgomery County East	480,689	-	-	-	1,704	12,603	7.0%	\$30.68
Outlying Montgomery County West	779,338	-	-	-	7,096	1,250	5.0%	n/a
Rockville	10,050,552	-	-	-	-182,856	-140,068	14.2%	\$30.81
Silver Spring	6,851,440	-	-	121,724	94,746	75,565	9.3%	\$30.27
Montgomery County Total	68,610,096	-	-	763,333	54,285	153,302	13.7%	\$30.14
PRINCE GEORGE'S COUNTY								
Beltsville	1,628,177	-	-	-	-61,890	19,708	27.4%	\$21.96
Bowie	1,845,823	-	-	-	17,350	26,686	10.0%	\$17.72
Branch Avenue Corridor	1,930,340	-	-	-	2,658	-185	14.3%	\$14.07
College Park	4,495,345	-	-	75,000	-9,368	-10,005	15.4%	\$22.98
Greenbelt	3,636,484	-	-	-	28,693	-37,653	26.7%	\$21.45
Landover/Largo	3,219,357	-	-	176,000	-60,404	-164,530	23.0%	\$21.98
Lanham	2,069,494	-	-	-	-82,822	-9,346	18.1%	\$20.87
Laurel	2,665,963	-	-	-	6,668	-43,825	12.5%	\$20.66
National Harbor	1,183,378	-	-	95,000	-21,074	-40,068	7.7%	\$20.28
Outlying PG County South	108,909	-	-	-	-	-707	21.7%	n/a
Pennsylvania Avenue Corridor	584,684	-	-	-	-	9,785	6.5%	\$20.51
Upper Marlboro	196,690	-	-	-	-	-	0.0%	n/a
Prince George's County Total	23,521,644	-	-	346,000	-180,189	-249,140	18.1%	\$21.65
SUBURBAN MARYLAND TOTAL	92,131,740	-	-	1,109,333	-125,904	-95,838	14.8%	\$27.90

THIRD QUARTER 2018

OVERALL QUICK STATS



14.8%

Vacancy Rate



-125,904

Absorption
(Square Feet)



0

New Deliveries
(Square Feet)



\$27.90

Direct Asking Rate
(\$/SF)

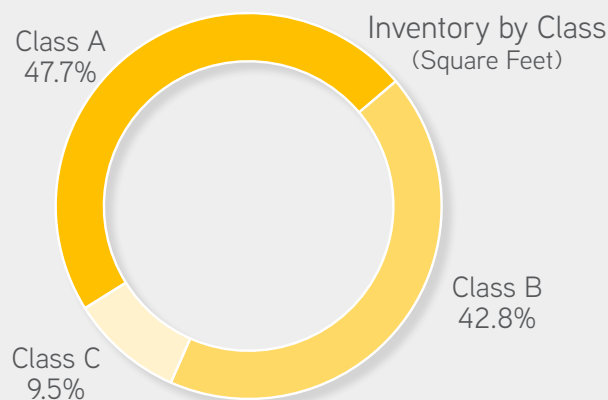
Suburban Maryland—Office Market—Class A | Q3 2018

MARKET	EXISTING INVENTORY	NEW SUPPLY	YTD NEW SUPPLY	UNDER CONSTRUCTION	ABSORPTION	YTD ABSORPTION	OVERALL VACANCY RATE	DIRECT ASKING RATE
MONTGOMERY COUNTY								
Bethesda	5,508,542	-	-	641,609	-77,385	-88,066	10.4%	\$42.41
Gaithersburg	2,382,240	-	-	-	14,018	43,262	7.0%	\$22.86
Germantown	1,314,846	-	-	-	-	-39,191	18.3%	\$25.28
I-270 North	-	-	-	-	-	-	n/a	n/a
Kensington	165,000	-	-	-	208	2,310	11.0%	\$36.71
North Bethesda	7,198,354	-	-	-	22,749	95,434	18.9%	\$31.37
North Rockville	8,017,067	-	-	-	84,518	161,612	16.5%	\$28.92
North Silver Spring	1,399,928	-	-	-	8,549	2,416	0.6%	\$28.79
Outlying Montgomery County East	-	-	-	-	-	-	n/a	n/a
Outlying Montgomery County West	719,082	-	-	-	-	-	5.1%	n/a
Rockville	4,542,614	-	-	-	-162,426	-129,046	20.7%	\$31.88
Silver Spring	4,193,011	-	-	121,724	94,696	69,790	9.9%	\$31.70
Montgomery County Total	35,440,684	-	-	763,333	-15,073	118,521	14.3%	\$30.98
PRINCE GEORGE'S COUNTY								
Beltsville	767,760	-	-	-	-6,017	63,728	41.7%	\$22.08
Bowie	688,392	-	-	-	1,991	1,405	18.6%	n/a
Branch Avenue Corridor	-	-	-	-	-	-	n/a	n/a
College Park	1,847,977	-	-	75,000	-21,326	-21,326	7.5%	\$24.85
Greenbelt	2,166,286	-	-	-	26,093	-63,141	31.5%	\$22.39
Landover/Largo	957,735	-	-	176,000	-455	7,082	21.9%	\$25.95
Lanham	557,000	-	-	-	-	-	11.6%	\$22.00
Laurel	840,547	-	-	-	-	2,397	13.9%	\$22.10
National Harbor	460,752	-	-	95,000	-18,518	-31,586	0.0%	n/a
Outlying PG County South	-	-	-	-	-	-	n/a	n/a
Pennsylvania Avenue Corridor	232,189	-	-	-	-	-	0.0%	n/a
Upper Marlboro	54,000	-	-	-	-	-	0.0%	n/a
Prince George's County Total	8,572,638	-	-	346,000	-18,232	-41,441	20.4%	\$22.76
SUBURBAN MARYLAND TOTAL	44,013,322	-	-	1,109,333	-33,305	77,080	15.5%	\$29.08



1.11

Under Construction
(Million Square Feet)



Suburban Maryland—Office Market—Class B & C | Q3 2018

MARKET	EXISTING INVENTORY	NEW SUPPLY	YTD NEW SUPPLY	UNDER CONSTRUCTION	ABSORPTION	YTD ABSORPTION	OVERALL VACANCY RATE	DIRECT ASKING RATE
MONTGOMERY COUNTY								
Bethesda	5,836,895	-	-	-	12,718	-51,401	13.3%	\$38.65
Gaithersburg	4,244,389	-	-	-	10,044	-46,781	11.4%	\$22.35
Germantown	1,818,629	-	-	-	15,641	8,631	14.5%	\$24.72
I-270 North	94,390	-	-	-	1,100	-19,950	24.6%	n/a
Kensington	1,457,017	-	-	-	18,376	46,513	25.7%	\$23.05
North Bethesda	3,892,046	-	-	-	-11,001	21,420	15.1%	\$28.16
North Rockville	5,213,506	-	-	-	23,132	28,252	16.6%	\$23.93
North Silver Spring	1,862,228	-	-	-	10,928	40,491	12.1%	\$24.15
Outlying Montgomery County East	480,689	-	-	-	1,704	12,603	7.0%	\$30.68
Outlying Montgomery County West	60,256	-	-	-	7,096	1,250	4.4%	n/a
Rockville	5,507,938	-	-	-	-20,430	-11,022	8.8%	\$26.96
Silver Spring	2,658,429	-	-	-	50	5,775	8.3%	\$25.04
Montgomery County Total	33,169,412	-	-	-	69,358	34,781	13.1%	\$28.65
PRINCE GEORGE'S COUNTY								
Beltsville	860,417	-	-	-	-55,873	-44,020	14.7%	\$17.07
Bowie	1,157,431	-	-	-	15,359	25,281	4.8%	\$17.72
Branch Avenue Corridor	1,930,340	-	-	-	2,658	-185	14.3%	\$14.07
College Park	2,647,368	-	-	-	11,958	11,321	20.9%	\$21.51
Greenbelt	1,470,198	-	-	-	2,600	25,488	19.6%	\$18.97
Landover/Largo	2,261,622	-	-	-	-59,949	-171,612	23.6%	\$21.76
Lanham	1,512,494	-	-	-	-82,822	-9,346	20.5%	\$20.32
Laurel	1,825,416	-	-	-	6,668	-46,222	11.8%	\$20.43
National Harbor	722,626	-	-	-	-2,556	-8,482	12.7%	\$20.28
Outlying PG County South	108,909	-	-	-	-	-707	21.7%	n/a
Pennsylvania Avenue Corridor	352,495	-	-	-	-	9,785	10.7%	\$20.51
Upper Marlboro	142,690	-	-	-	-	-	0.0%	n/a
Prince George's County Total	14,949,006	-	-	-	-161,957	-207,699	16.8%	\$20.38
SUBURBAN MARYLAND TOTAL	48,118,418	-	-	-	-92,599	-172,918	14.2%	\$26.04